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FM AMEMBASSY MONTEVIDEO
TO RUEHC/SECSTATE WASHDC PRIORITY 6449
INFO RUCNMER/MERCOSUR COLLECTIVE
RUEHBO/AMEMBASSY BOGOTA 2546
RUEHCV/AMEMBASSY CARACAS 0451
RUEHLP/AMEMBASSY LA PAZ OCT SANTIAGO 2927
RUMIAAA/CDR USSOUTHCOM MIAMI FL//J-5//
RUEHC/DEPT OF AGRICULTURE WASHDC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEAWJA/DEPT OF JUSTICE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
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DEPT ALSO FOR WHA/BSC (FBAXTER) AND EB
DEPT PASS USTR FOR EEISSENSTAT AND SCRONIN
TREASURY FOR OASIA FOR DDOUGLAS
COMMERCE FOR ITAITA/MAC/WBASTIAN
NSC FOR DFISK AND JCARDENAS
SOUTHCOM FOR POLAD

E.O. 12958: DECL: 10/24/2016
TAGS: [PGOV](#) [PREL](#) [ECON](#) [SOCI](#) [ELAB](#) [MARR](#) [UY](#)
SUBJECT: VAZQUEZ' HONEYMOON IS OVER

REF: MONTEVIDEO 0943

Classified By: Charge D'Affaires James D. Nealon
for reasons 1.4 (b) and (d)

¶1. (C) Summary: President Vazquez' approval rating dipped below fifty percent for the first time according to an October poll. When he was sworn in eighteen months ago, his approval rating stood at sixty-nine percent. The anti-climax surrounding a possible Free Trade Agreement (reftel), a worsening crime situation and the bungling of the pulp mill dispute contributed much to his twenty point drop. But something more seems to be irritating the middle class and stirring the moribund opposition into rhetoric and action. The recent lock out strike by commercial vehicle owners and a counter-strike by Communist-led trade unionists has strong class struggle" tinges to it. The abrupt firing of the Army Commander and the replacing of him with a far more junior officer smacks of long-harbored revenge by the left against the military. This could be a defining period for Vazquez and Uruguay because the society clearly seems more polarized and angry than it was a year and half ago. The ruling Frente Amplio (FA) coalition will conduct its internal party elections on November 12. Already some observers believe that the moderate pragmatists have lost significant ground to the old-line radicals, in part because the radicals tend to

be better organized. We will have to wait until after the internal elections to see if Vazquez continues along his pragmatic path or if he feels obliged to tack to the left.
End Summary.

Dashed Expectations

¶2. (U) It is too early to tell if the "failed" FTA talks at the October JCTI represented a high point in Vazquez' attempt to chart a moderate pro-U.S. path based on the "Chilean model." Certainly the disappointment of a TIFA instead of an FTA and the decision to deepen trade relations on the slow track ("a la Uruguaya") was a tremendous letdown for those who saw an FTA as a golden opportunity to revitalize the economy and stem the hemorrhaging brain drain that has sent 14 percent of (mostly young) Uruguayans abroad in search of jobs. Two months ago the polling firm "Interconsult" indicated that 56 percent of the Uruguayans surveyed were in favor of an FTA. Among Frente Amplio respondents the number was 47 percent while Colorado and Blanco Party members surveyed were 77 percent in favor. Many of the signals sent by Vazquez this year, including his petitions to Mercosur, led the Uruguayans to believe that an FTA with the U.S. was on the way.

¶3. (SBU) Now that that the prospect of an FTA seems to have vanished, other issues have opened the GOU to the criticism that it has not accomplished much during the last eighteen months except to strengthen a radical left that truly intends on implementing a radical brand of Socialism. Among the charges: that the GOU is soft on crime, that it has strengthened the Communist-dominated labor unions, that it was motivated by revenge in its campaign to re-examine the human rights abuses of the dictatorship period, that it is violating the Constitution, that it tries to muzzle the press and that it has bungled the dispute with Argentina over the construction of giant pulp mills on a shared river. (Note: The GOU's detractors assert that Vazquez is beholden to Nestor Kirchner for declaring a holiday in 2004 in Argentina so that Uruguayan voters could cross the river and vote for the Frente Amplio. End Note.)

Signs of Discontent

¶4. (SBU) The building discontent by the middle class, businessmen and opposition parties has come to something of a head recently. A proposed tax reform is the likely lightning rod. The lock out strike by commercial vehicle owners that began October 23 and a counter-strike by Communist-led trade unionists (PIT-CNT) is an unprecedented power struggle and dilemma for the Vazquez administration. Fuel, food and commodities are being threatened on the eve of the important November 2-5 Ibero-American Summit, which must be disconcerting at the least. The Government has already declared some services essential and indicates that it might use the Army to move supplies. The GOU solved the initial obstacle of forcing a hike in the price of diesel fuel, but truckers stubbornly resist a portion of the tax reform proposal that would force them to make a 7.8 percent contribution to Social Security. Meanwhile, the GOU wants to ram the tax reform package through Congress by the end of the month without any real debate or changes. Predictably the radical unions have struck on their own in "defense of democracy" and compare the current situation to "bourgeois counter-revolutionary acts" in Chile in 1973 against Allende. (Note: Curiously, the PIT-CNT's call for a counter-strike appears on the Presidential website. End note.) In any event the rhetoric is at a high pitch on both sides, though no violence has been reported.

¶5. (SBU) The other fairly momentous event was the abrupt sacking of Army Commander Carlos Diaz on October 19 for privately meeting with Colorado ex-President Maria Julio Sanguinetti and his then-Defense Minister Yamandu Fau. While we've heard different versions including "a set-up" and "that Diaz lost his temper," the reason makes no difference in the end. Diaz has been replaced by a far more junior officer (General Jorge Rosales was a Colonel only eight months ago)

and a dozen more senior officers who served during the dictatorship have been bypassed, neutralized and effectively eliminated. The consequences of this "decapitation" have yet to be determined.

¶6. (C) Personifying the possible policy shift, the anti-American Foreign Minister Reinaldo Gargano seems to be riding high these days. Smug that he had predicted the demise of an FTA, Gargano recently waxed eloquent in the media about Mercosur's future benefits to Uruguay. By contrast, Econ Minister Astori seems largely absent in the press except for his role on unpleasant subjects such as collecting taxes and pushing the controversial tax reform package. (Note: In a recent conversation with Emboff, Astori expressed some hope that FTA interest could be revived, regardless of the expiration of Trade Promotion Authority (TPA) in 2007. Also, Astori recently lost one of his key advisors on trade matters Dario Sarachaga quit last week reportedly in disgust as his year of intense work on an FTA had gone to waste. End Note.)

¶7. (C) Comment: While Vazquez has faced crises before -- for example when key Ministers Danilo Astori and Jose "Pepe" Mujica threatened to resign or when the Banes bank was on the verge of collapse -- none seem as defining as the current situation. The ongoing lockout strike by commercial vehicle owners on the eve of the Ibero-American Summit and the virtual elimination of the Army's senior officer corps are fairly tectonic events in this setting. However, it is too early to tell if the non-signing of an FTA at the JCTI earlier this month was the high point in Vazquez attempt to chart a moderate pro-U.S. path for Uruguay. We will have to wait until after the November 12 internal elections to see if he resumes his pragmatic path, or if he calculates that he has no option other than to hitch his fortunes to a more radical and emboldened left. End Comment.
Nealon